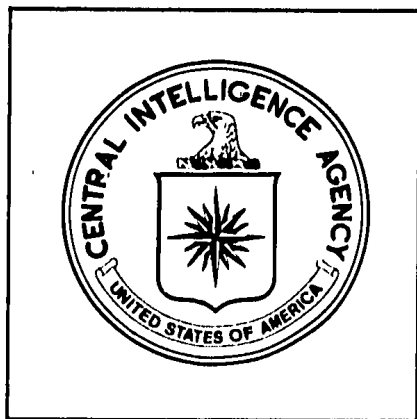


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MIDDLE EAST - AFRICA - SOUTH ASIA

This publication is prepared for regional specialists in the Washington community by the Middle East - Africa Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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CONFIDENTIALMorocco-USSR*Relations Continue to Grow*

Prime Minister Osman's visit to Moscow, tentatively scheduled for February 10, will make him the highest ranking Moroccan to visit the Soviet Union since the King journeyed there in 1966. The stated purpose of the Prime Minister's visit is to sign agreements reached by the joint Moroccan-Soviet Committee for Economic, Scientific and Technical Cooperation during its session in Moscow last month. The two sides discussed future cooperation in trade and other areas and concluded agreements providing for more exports of Moroccan citrus products to the USSR and a slight increase in Morocco's oil imports from the Soviet Union. In addition, Morocco agreed to the establishment of a Soviet shipping agency in Casablanca.

The modest scale of economic and political relations between Moscow and Rabat have been broadening since about the time of the 1973 Arab-Israeli war. Osman's visit appears to be another step in King Hassan's efforts to project a more balanced foreign policy and deflect radical Arab charges that Morocco is a US "lackey."

For their part, the Soviets in December 1974 found it worthwhile to conclude with Morocco their largest barter agreement yet undertaken with a developing nation. The agreement provides for the export of up to ten million tons of Moroccan phosphates a year to the USSR over the next 25 to 30 years, with the Soviets developing Morocco's phosphate mines at Meskalas. (CONFIDENTIAL)

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Mozambique

*Many Political and Economic
Uncertainties Ahead*

The leaders of Mozambique's four-month-old transitional government are projecting an image of calm purposefulness as they move the territory toward independence, scheduled for June 25. The future for an independent Mozambique, however, is clouded with a number of political and economic uncertainties.

For the near future, the Front for the Liberation of Mozambique, the nationalist group that dominates the transitional government, can blame its problems on the colonial structure it inherited. This approach might help diminish public pressures to solve economic problems, but it could also heighten racial tensions. As a result, both the Front and the Portuguese, who share responsibility for keeping order, will be walking a very thin line in the coming months.

The transitional government has inherited a potentially rich economy, but one that has been subject to severe dislocations since the April coup in Portugal. In recent weeks, the government has devoted much of its time to economic matters. A Portuguese economic delegation arrived on January 19 to discuss a number of economic issues including the establishment of a central bank of Mozambique and the future development of the massive Cabora Bassa hydroelectric project. The talks are likely to continue for some time. A UN development representative has been stationed in Lourenco Marques, and a UN economic survey team will visit Mozambique in February.

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economic specialists in Lisbon and Lourenco Marques are encountering difficulties in collecting reliable statistics for potential aid donors.

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The US consul general in Lourenco Marques recently reported that signs of economic decline are becoming more visible throughout the territory. Food staples are in short supply, transportation facilities are congested and industries are unable to obtain spare parts and raw materials. In rural areas, farmers are cutting back on planting, and many white-owned farms and rural stores are being abandoned. Reports of famine in central Mozambique, are reaching Lourenco Marques, although the government claims it is controlling the situation by diverting food supplies from other areas.

In major urban areas such as Lourenco Marques and Beira, the government has resorted to a number of measures to cope with widespread unemployment and labor unrest. Factories, for example, have been ordered to remain open and not cut back on their work force. In some instances, however, government officials have sided with management when labor demands have been patently unrealistic.

Prime Minister Chissano's statements have been marked by pragmatism and moderation, and the government has urged everyone to work for a strong, multi-racial society. Nonetheless, there has been a significant exodus of whites--perhaps in excess of 20,000--since Portugal agreed to turn over political power to the Front last September. This has resulted in an enormous loss of professional and highly specialized technical skills as well as general white-collar and blue-collar workers. [REDACTED]

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[REDACTED] the government is having difficulties finding qualified replacements for those who have left the territory.

The government hopes many whites will return if the security situation remains calm and the economy begins to pick up, but its efforts to encourage a return have not been successful. Vague allusions by the government to economic and social changes have been unpalatable to many of Mozambique's whites. Moreover statements by Front president Samora Machel,

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who remains in Dar es Salaam, have shown a preference for Marxism. It is widely assumed throughout Mozambique that Machel will become president of Mozambique upon independence.

Public order has not been seriously disturbed since a short-lived outbreak of civil violence last October sparked by a clash between Portuguese commandos and troops of the Front. Portuguese forces are being withdrawn on schedule and will be gone by June. Approximately 20,000 troops from the metropole were in Mozambique when the transitional government took over.

Since October, both the Front and the Portuguese have been enforcing strict security measures. Thieves and looters are shot on sight; individuals without identification or employment are being rounded up and sent to Front training camps in northern Mozambique or in Tanzania. Many blacks and whites have been detained on vague charges of "opposing the deconolonization process." These charges are usually levelled at members of defunct anti-front political groups that emerged following the coup in Lisbon. Although some people seem to agree with the need for strict security, many are concerned that they are experiencing a preview of the authoritarianism they believe will characterize the post-independence government.

Racial tensions apparently remain a potentially serious problem for the government, particularly in northern Mozambique where suspicions between the two races have always been strong. There, many whites have abandoned the towns and cities. Those who have remained are faced with a sudden influx of blacks into their formerly segregated neighborhoods. Anti-white wall slogans are becoming common, and curfews are being imposed against whites in certain areas. In such an atmosphere, rumors or a minor incident could spark a serious racial clash.

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It is still unclear whether the Front has been successful in broadening its political base in the territory. Front officials are giving high priority to political mobilization, and party functionaries are fanning out over the countryside preaching "unity, work, and vigilance" and spreading literacy and health campaigns. Through these efforts the Front apparently has won over some new supporters, although many people may support the Front because it is the only accepted political party in the territory. (CONFIDENTIAL)

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India-Pakistan

First Major Trade Contract

India and Pakistan last weekend signed their first major trade contract in ten years. It provides for the purchase by India of 200,000 bales of Pakistani raw cotton, valued at around \$30 million.

The contract follows an agreement reached last November to restore Indo-Pakistani trade, halted during the war in 1965. Next month a Pakistani delegation is expected to visit India to look into the purchase of Indian engineering goods. In January an agreement was reached to restore commercial shipping services between the two countries, also severed in 1965.

The agreements to reestablish trade and shipping links are the latest accords reached under the Simla agreement of 1972, in which the two sides resolved to settle differences through negotiation. Among the issues remaining to be addressed are the restoration of diplomatic relations, suspended since the 1971 war; the resumption of aviation links and over flights, also suspended since 1971; and the longstanding dispute over Kashmir.

Fresh talks on the aviation issue may begin soon, according to both governments. The Kashmir question, however, remains stalemated. In fact, a new round of Indo-Pakistani recriminations over Kashmir is likely if negotiations currently taking place between New Delhi and Kashmiri nationalist leader Sheikh Abdullah culminate in an agreement to restore the Sheikh to the top post in the Indian portion of Kashmir in return for his endorsement of New Delhi's sovereignty there.

Islamabad favors early resumption of diplomatic relations, but New Delhi prefers to wait until there has been further progress on other issues. (CONFIDENTIAL)

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